Transcript of Opening Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on CBO's Budget & Economic Outlook Update
September 3, 2003

Welcome to Mr. Holtz-Eakin for his first testimony before the Senate Budget Committee. The report you have just issued I think should send alarm bells sounding throughout Washington and really throughout the country because what they tell us very clearly – this series of reports – is that we are on a course that is utterly unsustainable. And it is going to require us to make substantial changes in budget policy as we go forward.

I go back to what the President told us two years ago when he said, "Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens." Well that's proven to be simply wrong.

Then the President told us last year that, "[O]ur budget will run a deficit that will be small and short-term..." That is also proved to be wrong. These deficits are not small and they're certainly not short-term. They are very large deficits, they are record budget deficits in dollar terms, even large as a percentage of GDP, and we see no end in sight.

If we look at the report you just issued from the Congressional Budget Office, and of course you are required to report in a certain way. You are required to report based on what is, not with changes that people are advocating. But, if we take just three of the things that are out there that we all know are going to have to be dealt with: the President's proposal to make the tax cuts permanent; the President's endorsed prescription drug bill; and, the alternative minimum tax, which if we fail to act will effect 30 million people by the end of this decade. Just with those three changes what we see are deficits that go off for the next ten years by very large amounts. This also includes treating Social Security as a trust fund, that is not using Social Security trust fund surpluses to pay other bills. And what we see are truly large deficits throughout the entire rest of the decade.

When we look at where the money went, because remember just two years ago we were told there was going to be nearly $6 trillion of surpluses. If we look at that same period of time, here is where the money is going: nearly 40 percent for tax cuts; twenty-eight percent increased spending, almost all on defense and homeland security; twenty-seven percent technical changes, largely lower revenues not associated with the tax cuts, so almost two-thirds of the loss of the projected surplus and turned deficit is on the revenue side of the equation; and some seven percent from the economic downturn.

We clearly have a revenue problem and a tax and a spending problem. The revenue problem is really quite dramatic. We've gone from having revenues that were very high as a share of our gross domestic product to now having revenue this year that is projected to be the lowest since 1959. So clearly we have a revenue problem as well as a spending problem.

If we look at the spending, the increases that have occurred there just for this year over the baseline, 92 percent of it is in just three areas: defense; homeland security; rebuilding New York and support for the airlines. That's where the increase in spending has occurred. And if you look at the last two years, it's the same thing. It's actually a larger percentage for just defense, homeland security, rebuilding New York and the other items I mentioned, the support for the airlines and of course the international piece of this because of Afghanistan and Iraq.

What that leads us to conclude is that the gross federal debt, instead of being reduced, which we were told would happen, is instead skyrocketing. In fact, more than doubling over this next ten year period to nearly $15 trillion at the end of 2013.

And all of this at the worst possible time. Worst possible time because this is the time we ought to be either pre-paying the liability of Social Security and Medicare or paying down the debt in preparation for what we all know is to come. In many ways, this chart is the most alarming because what it shows is that the trust funds of Social Security and Medicare turn cash negative at the very time the cost of the tax cuts explode, driving us deeper and deeper into deficits and debt to levels that are clearly unsustainable.

Mr. Holtz-Eakin, I will conclude by saying you said budgets and economics are about making choices. And that's really the importance of this committee and the importance of the budget. We've got to make choices and I submit to my colleagues that we're going to have to make very difficult choices on both the revenue side and the spending side if we're going to get back on a fiscal course that is sustainable.